



LEASE PURCHASE - ABAG

I. PROGRAM SUMMARY

PROGRAM DESCRIPTION	<p>The Lease Purchase - Freddie Mac 97/3 and Whole Mortgage 100 programs provide enhanced affordability and homeownership opportunities to individuals that meet specified income requirements. This program is offered through:</p> <p>Association of Bay Area Governments Finance Authority (ABAG Finance Authority) for cities within the counties of Alameda, Contra Costa, San Mateo, Santa Clara, San Francisco, Napa, Marin, Solano, Sonoma and a number of cities throughout the State of California.</p> <p>The “Borrower” is actually ABAG. ABAG then leases subject property to the lease purchaser (future borrower) for approximately three years. The lease period provides time for the lease purchaser to learn about and prepare for the responsibilities of homeownership, and establish or re-establish credit. At the end of the lease period, the lease purchaser will be able to assume the lease-purchase loan if they have made timely lease payments over at least the last 24 months and have a FICO credit score of at least 620. The lease purchaser also takes advantage of the equity build-up that occurred during the lease period.</p> <p>The Lease Purchase program consists of two options:</p> <p>A 97% (30 year, 7/1 ARM) Loan-To-Value (LTV) fixed-rate first loan fixed for the first seven years (conforming loan limits, currently up to \$322,700). The three percent (3%) of sales price is a CalHFA Mortgage Insurance Services Lease Purchase Silent Second Loan Program (Lease Purchase SSLP). The proceeds of the silent second are used for the down payment. The second loan has a simple interest rate, currently 5%, and a term of 30 years; however, payments on the second loan are deferred for the life of the first loan (see Repayment of Silent Second Loan below). Product Code: 0700-007</p> <p>A 100% (30 year, 7/1 ARM) LTV fixed rate loan fixed for the first seven years (non-conforming limits, currently \$322,701-\$600,000) Product Code: 0700-008</p>
TARGET MARKETS	<p>This program is intended for renters who:</p> <ul style="list-style-type: none">Do not have enough savings for down payment and closing costsPrefer to lease, while having an option to buyHave no established credit or impaired credit and cannot qualify for ‘A’ paper loansNeed time to repair credit to qualify for a home loan

AGENCY PROGRAM ADMINISTRATORS	<u>California Regional Mortgage Assistance Corporation:</u> Lease Purchase Solutions Matt Callahan; Ph: (877) 570-8370; Fax: (877) 570-8370 Email: leasepurchasesolutions@ureach.com
PARTICIPATING LENDERS	<u>California Regional Mortgage Assistance Corporation:</u> Affordable Housing Clearinghouse
BORROWER ELIGIBILITY	Lease Purchasers must meet all of the following requirements: Provide proof that they currently reside legally in the United States Not own other residential dwellings Occupy the property as their primary residence; non-occupant co-borrowers are not allowed
PROPERTY ELIGIBILITY	Properties must meet the following requirements: Be a single-family dwelling (SFD), including approved condo/PUDs Condo/PUDs Manufactured housing Properties not allowed include single or double-wide units and mobile homes.
DOWN PAYMENT REQUIREMENTS	0%
BORROWER MIN. CONTRIBUTION	None; however, there may be a participation fee (typically 1% of purchase price), an appraisal fee (\$350 est.) which will be reimbursed at closing, an inspection of the property (\$200 est.).
TRANSACTION TYPE	Purchase transactions only
MAXIMUM SALES PRICE	97/3 Freddie Mac Program-\$332,680(conforming) 100% Whole Mortgage Program- \$600,000(non-conforming)
MAXIMUM LOAN AMOUNT	97/3% Freddie Mac-\$322,700(conforming) 100% Whole Mortgage Loan- \$600,00(non-conforming \$322,701-\$600,000)
INCOME LIMITS	Borrower's income cannot exceed 140% of the HUD median income for the area in which the borrower is purchasing.
MORTGAGE INSURANCE (MI)	Mortgage insurance from CalHFA Mortgage Insurance Services is required on the first loan, as follows:

	<p><u>CalHFA MI Plan:(709) 97/3 Freddie Mac Program(conforming up to \$322,700)</u> Coverage: 50% Cost: 95 bps Due: Monthly</p> <p><u>CalHFA MI Plan(650) 100 Whole Mortgage Program(non-conforming \$322,701-\$600,000)</u> Coverage: 50% Cost: 100bps Due: Monthly</p>
REAL ESTATE BROKERS/AGENTS AND SELLER CONTRIBUTIONS	Real estate brokers/agents pay (1%) program administration fee. Seller pays other standard sales costs.
BUYDOWNS	None allowed.
REPAYMENT OF MORTGAGE INSURANCE SERVICES SILENT SECOND LOAN (SSLP) ON THE 97/3 PROGRAM	<p>Payment of principal and interest on the CalHFA Mortgage Insurance Services silent second loan is due when:</p> <ul style="list-style-type: none"> The first Note and Deed of Trust become due and payable; The first Note and Deed of Trust loan is paid in full; The first Note and Deed of Trust is refinanced; The Property is sold; <p>Until and in the event of the formal filing and recording of a notice of default, unless rescinded, OR</p> <p>If the property is no longer occupied as a principal residence by the borrower.</p> <p>Upon the occurrence of any of the above, the entire principal and interest on the loan is due and payable. Prepayments will first be applied to interest owed, then to principal. Prepayment penalties are not permitted.</p> <p>CalHFA Mortgage Insurance Services second loans are not assumable.</p>
PURCHASE OF CALHFA 97/3 2nd MORTGAGE INSURANCE	<p>Refer to CalHFA Mortgage Insurance Services Announcement Dated June 4, 2003 for loan delivery and purchase information.</p> <p>Questions contact 916/324-8088</p>

MAXIMUM AVAILABILITY	<p>ABAG Finance Authority - \$48 MM Total Program. Originations must be made between March 12, 2003 and July 1, 2005.</p> <p>97/3 Freddie Loan(conforming up to \$322,700)-\$40 MM in first loans; \$1.2 in second loans</p> <p>100 Whole Mortgage Loan(non-conforming \$322,701-\$600,000)-\$8 MM in first loans</p>
LENGTH OF LEASE	36 to 39 months

II. UNDERWRITING CRITERIA

MINIMUM FICO SCORE	FICO scores should be 620 at the time the lease purchase option is exercised. Please refer to originating lenders guidelines.
RATIOS	A back-end total debt-to-income ratio cannot exceed 45%.
CASH RESERVES	None required.
BORROWER EDUCATION REQUIREMENT	<p><u>For All Clients:</u> All lease purchasers must be knowledgeable of the process for obtaining and maintaining a home, before lease signing. This requirement may be satisfied through a home study course.</p> <p><u>For Clients with A FICO Score below 620:</u> Must complete a comprehensive, classroom course before lease begins or within first 12 months. Certification is required that the homebuyer education has been completed. A copy of the education certificate must be included in the loan package.</p>
SUBORDINATE FINANCING/SILENT SECOND LOAN ON THE 97/3 PROGRAM	CalHFA Mortgage Insurance Services will fund the 3% silent second loan. Since loan repayment is deferred, the repayment is not included in the qualifying ratios.
OTHER GUIDELINES	Please refer to origination lenders guidelines.
CALHFA MORTGAGE INSURANCE SERVICES QUESTIONS	Contact Joe Lenihan, 916/322-8936

IMPORTANT DISCLOSURE INFORMATION:

The information provided in this program description is for guidance only. While we have taken care to provide accurate information, we cannot cover every circumstance nor program nuance. Lenders will need to refer to investor guidelines for specific underwriting and compliance issues. Lenders should be aware that CalHFA Mortgage Insurance Services' underwriting guidelines are for mortgage insurance only, and not necessarily the same as restrictions imposed by the investor. The more restrictive guidelines apply. This program description is subject to change from time to time without prior notice.

11/03